

$\frac{1}{4}$

FIG. 1A

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REJECT

ACCEPT

INVESTORS:

PRICING/TERMS

-MONTHLY PAYMENT

-AMORTIZATION PERIOD

-CAPPED MAXIMUM RETURN

-EARLY SALE CONDITIONS

CLOSING

INVESTOR - BORROWER: MORTGAGE PRINCIPAL \$

BORROWER - INVESTOR: MORTGAGE
LOAN AGREEMENT
EQUITY PARTICIPATION CERTIFICATE

BORROWER - SELLER: DOWN PAYMENT \$
MORTGAGE PRINCIPAL \$

SELLER - BORROWER	TITLE
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II. AMORTIZATION PERIOD - MONTHS 1 THROUGH N

PAYMENT(1)BORROWER→PERIODIC PRINCIPAL \$--SERVICER INVESTOR

REPAYMENT -PROCESS

-CALCULATE AVG AMORT. PERIOD PRINCIPAL

(TOTAL MONTHLY PRINCIPAL OUTSTANDING)

÷#MONTHS SINCE ORIGINATION)

SALE:

i. DETERMINE REALIZED APPRECIATION

NET SALE PRICE - PURCHASE PRICE)

ii. CALCULATE MAXIMUM CAPPED ANNUAL RETURN

(E.G., AVG. AMORT. PERIOD INDEX % + ____ %)

iii. MULTIPLY (ii.) BY AVERAGE ANNUAL PRINCIPAL

iv. DIVIDE PROCEEDS

(E.G., IF $X = [\text{NET SALES PRICE} - \text{PURCHASE PRICE} - \text{(iii.)}] > 0$, THEN BORROWER RETAINS X)

→FINAL PRINCIPAL PAYMENT \$→SERVICER \$ INVESTOR

-PROCESS

-RECALCULATE AVG AMORTIZATION

PERIOD PRINCIPAL

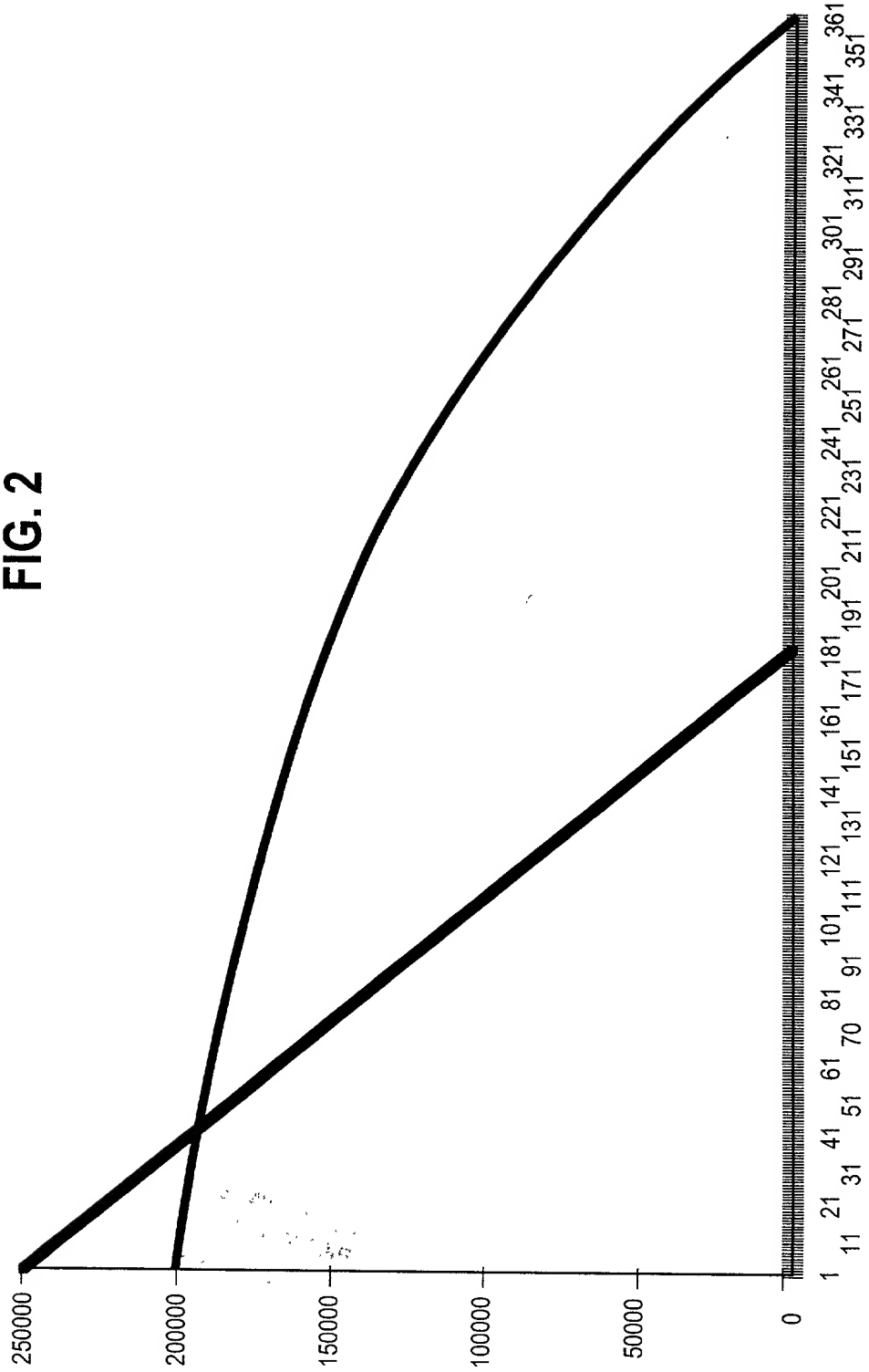
PAYMENT (N)

III. POST AMORTIZATION PERIOD

- SALE:
- i. DETERMINE REALIZED APPRECIATION
NET SALE PRICE - PURCHASE PRICE)
 - ii. CALCULATE MAXIMUM CAPPED ANNUAL RETURN
(E.G., AVG. AMORT. PERIOD INDEX % + ____ %)
 - iii. MULTIPLY (ii.) BY AVERAGE ANNUAL PRINCIPAL
 - iv. DIVIDE PROCEEDS
(E.G., IF $X = [\text{NET SALES PRICE} - \text{PURCHASE PRICE} - (\text{iii.})] > 0$,
THEN BORROWER RETAINS X)

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FIG. 2



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FIG. 3

